BRITISH COLUMBIA
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BCStats

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Exports ◆ July 2010

- The value of British Columbia origin exports rose 11.2% in the first seven months of 2010, compared to the same period a year earlier. Most of BC's major markets saw growth in exports, including BC's largest market, the United States (+3.7%). The main contributors to BC's overall export growth continue to be the Pacific Rim countries, particularly Mainland China (+32.2%), Japan (+12.0%), Australia (+29.6%), Hong Kong (+11.3%) and Taiwan (+9.1%). Exports to Mexico have soared 82.8%, mainly due to substantial increases in shipments of coal (+328.4%), molybdenum ores and concentrates (+241.8%) and chemicals and chemical products (+410.2%).

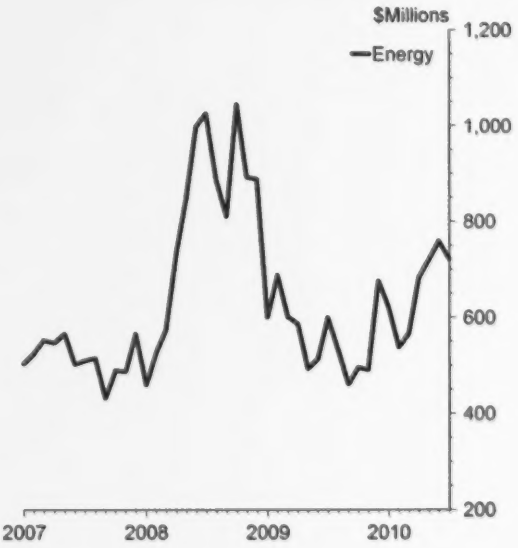
- Metallic mineral products recorded the largest year-to-date percentage jump in exports, at 35.3%. Shipments of copper ores and concentrates (+35.7%), unwrought zinc (+61.1%), molybdenum ores and concentrates (+38.2%), unwrought aluminum (+12.6%) and other metallic mineral products (+31.1%) all experienced robust growth. However, exports of fabricated metal products slumped 6.3%.

- The forest sector continues to look healthier than a year ago with exports of solid wood products jumping 24.8% and shipments of pulp and paper rising 11.2%. The main contributor to the increase in solid wood product exports was softwood lumber, which saw shipments grow 32.1%. There was also a large increase in shipments of logs (+59.4%). For pulp and paper, a 39.7% rise in shipments of pulp drove the entire increase as paper exports fell 27.1%. Part of the increase is the result of higher prices caused by pulp shortages arising from the February 27th earthquake in Chile, which caused significant damage to that country's pulp industry, and a lengthy strike at pulp and paper mills in Finland.

- Increased shipments of coal (+7.0%), natural gas (+15.3%), electricity (+15.5%) and other energy products (+73.8%) have helped boost overall energy product exports up 13.0%.

- Despite the overall increase and strength in some of BC's key export industries, there continues to be weakness in some sectors. Machinery and equipment shipments dropped 2.6% over the first seven months of 2010, exports of agricultural, food and fish products fell 3.1% and shipments of chemical products slumped 5.3%.

BC's energy exports have been trending up over the last several months, although they are still well below levels seen in 2008

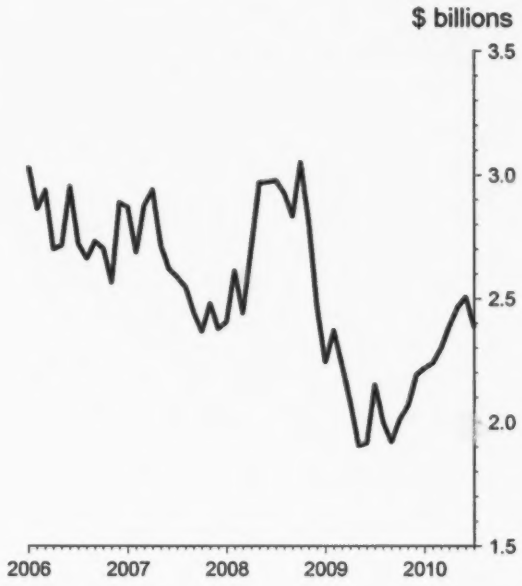


SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- BC's exports fell 4.8% in July marking the first time in ten months that the value of exports did not rise. There was an 8.4% slump in exports of forest products, while shipments of industrial and consumer goods fell 7.6% and exports of energy products dropped 2.1%. Agriculture and fish products bucked the trend with shipments climbing 1.6%.
- Shipments to both the United States (-8.3%) and the rest of the world (-1.4%) dropped in July. Energy (-16.0%) and forest products (-13.7%) were the main contributors to the decline in shipments to the United States.

Exports (adjusted for seasonality) fell for the first time in ten months



BC Exports, Seasonally Adjusted ($Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery& Equip, Auto	Industrial, Consumer	Total	Exports to USA
Jul 2008	180	1,051	804	323	617	2,976	1,628
Aug	201	858	760	344	764	2,926	1,428
Sep	209	863	807	329	624	2,832	1,397
Oct	220	1,012	840	349	627	3,048	1,559
Nov	211	930	744	344	584	2,812	1,428
Dec	207	781	696	323	462	2,469	1,297
Jan 2009	211	616	643	303	470	2,244	1,236
Feb	209	760	625	288	488	2,370	1,226
Mar	199	621	603	272	533	2,230	1,108
Apr	195	568	610	267	438	2,079	1,063
May	195	479	561	272	398	1,906	1,054
Jun	194	487	551	253	432	1,917	991
Jul	203	613	582	269	484	2,151	1,043
Aug	178	512	577	250	484	2,000	1,002
Sep	172	490	576	227	455	1,921	998
Oct	184	480	583	247	519	2,012	1,029
Nov	177	505	600	249	537	2,067	1,071
Dec	177	593	616	262	542	2,190	1,085
Jan 2010	177	631	647	259	505	2,218	1,122
Feb	190	584	681	246	538	2,240	1,089
Mar	190	596	683	255	576	2,300	1,138
Apr	185	664	722	263	554	2,388	1,126
May	182	700	743	259	580	2,464	1,165
Jun	187	745	776	269	530	2,506	1,228
Jul	190	729	711	267	489	2,386	1,126

What Could Japan's Economic Woes Mean for Trade with BC?

By Jade Norton

As China recently surpassed Japan as the second largest economy in the world[1]--a title it had held for more than 40 years--analysts are suggesting that the Japanese economy may be in need of structural reform if it is to return to its previous strength.[2] Japan appears to have been sharply impacted by the global recession that began in the latter part of 2008. Although the country's economy has experienced comparable slowdowns in the past, some suggest that the problems of recent years are a signal of a greater crisis.

In October of 2007, Japan's longest post-war period of economic expansion came to a halt and the Asian giant entered into recession in 2008. Although the Japanese financial sector was not as vulnerable to sub-prime mortgages as that of the United States and was able to better weather the initial effects of the global economic slowdown, a sudden downturn in business investment and global demand for Japan's exports in late 2008 anchored it in a recession. Topics at the forefront of debates on economic reform include Japan's hefty government debt, which is estimated to have topped 192% of GDP in 2009, along with its aging and shrinking population.[3]

[1] As measured on a purchasing power parity basis.

[2] *Japan Hit by Global Slowdown.* The Wall Street Journal Online, August 9th, 2010: http://online.wsj.com

[3] *World Fact Book,* 2010. The United States Central Intelligence Agency: www.cia.gov/index.html

An economic resurgence would not only benefit Japan, but also its trading partners. As they have for many other countries, economic problems in Japan have contributed to a slowdown in the amount of goods it imports from other parts of the world. Not surprisingly, in the wake of the global economic recession, exports from BC to most parts of the world dropped off substantially in 2009, and Japan was no exception. Longer term trade patterns between BC and Japan have also developed in recent years and trade between the two has undergone some interesting transformations.

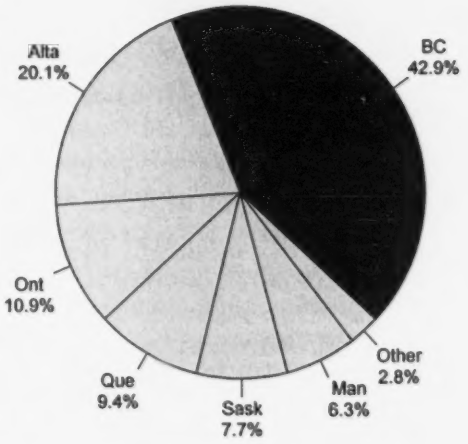
Japan is a top destination for BC exports

Japan is British Columbia's second largest trading partner (after the United States), so naturally, the province has felt the sting of a reduction in exports destined to Japan. Mostly due to its proximity to the Pacific Ocean, British Columbia depends more on exports to Japan than any other province in Canada. In fact, historically, BC has been the source of over half of all Canadian commodity exports to Japan, peaking in 1994, when 59% of all Canadian shipments to Japan came from BC.

Although BC still exports a comparatively larger proportion of goods to Japan, its share of overall Canadian shipments to that country has been dwindling in recent years. In 2009, just 43% of Canadian goods shipped to Japan originated in BC, down notably from just a year prior (46% in 2008). Similarly, in 2009, the share of BC's total exports that was destined for Japan dropped to 13.8%, nearly one and a half percentage points lower than in 2008 (15.2%). Despite these recent changes, the province is still

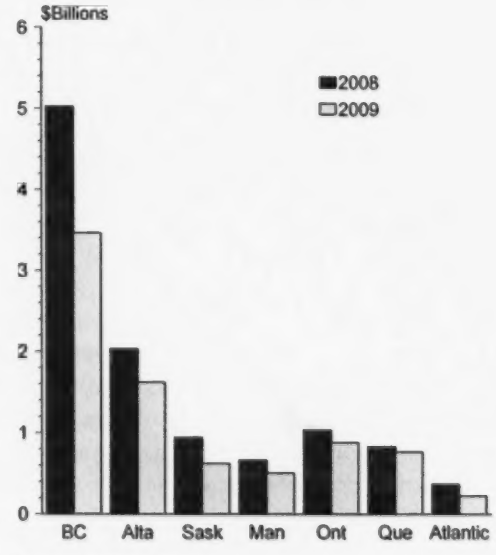
by far more dependent on trade with Japan than any other region of the country.

BC is still first among the provinces as a source for Canadian exports to Japan, 2009



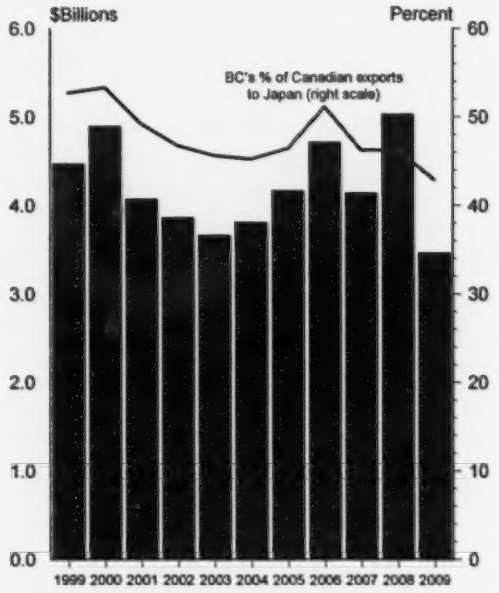
Source: Statistics Canada

BC exports far more goods to Japan than any other province



Source: Statistics Canada

BC exports to Japan hit low point in 2009

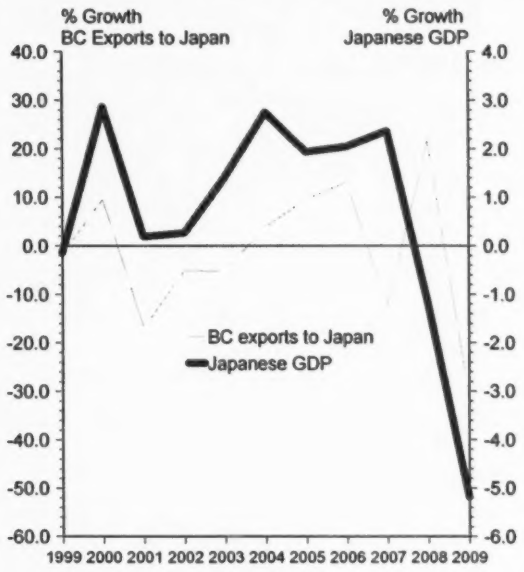


Source: Statistics Canada

Trade is impacted by Japan's economy

Within the last ten years, fluctuations in the value of BC exports to Japan have consistently followed movement in Japan's GDP fairly concretely. For example, when Japan went into recession in the early 2000s, there was a notable abatement in the value of Japanese imports of goods from British Columbia. When the Japanese economy began to bounce back in 2004, BC exports to Japan followed suit. More recently, goods shipments from BC to Japan surged 21.6% in 2008, on the heels of a fairly strong increase (+2.4%) in Japanese GDP in 2007. As the economy began its cooling off period in the latter part of 2008 and into 2009, the value of BC exports to Japan also ended up slipping (-31.2% between 2008 and 2009).

Japan's economic performance tends to have an effect on its demand for goods from BC



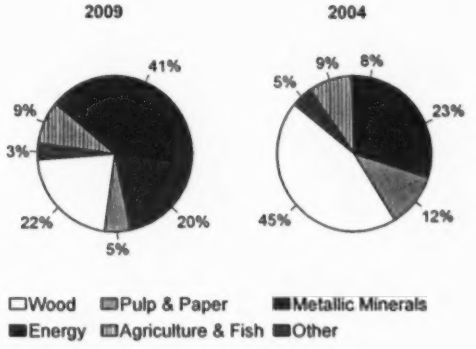
Source: Statistics Canada and IMF

One reason for the close tie between volume of exports and economy lies in the concentration of raw materials in BC's exports to Japan. Generally, a thriving economy tends to coincide with a strong manufacturing sector, which in turn results in more demand for the materials used in manufacturing goods. Conversely, a reduced demand for these products is an almost inevitable outcome of an ease in production resulting from an economic slowdown.

Types of goods shipped to Japan change

There have been significant shifts in the types of goods shipped from BC to Japan over the past five years. Demand for coal from British Columbia has climbed substantially in recent years. Despite a notable decline in 2009, when commodity exports to all destinations (with the exception of Mainland China) slumped, the value of coal shipped to Japan was nearly five times what it was in 2004 ($1.4 billion compared to $298 million). In 2009, energy products (namely coal) accounted for by far the largest share of the value of all goods shipped from BC to Japan (41%). This is in stark contrast to just five years prior, in 2004, when energy products comprised a mere eight percent of BC's shipments to Japan. In that same year, a third of the province's exports to Japan consisted of either wood products (45%) or copper and other metallic mineral concentrates (23%). By 2009, wood products accounted for substantially less (22%), while shipments of metallic mineral goods also comprised a smaller share. The only major commodity group to remain relatively on par between 2004 and 2009 was agricultural and fish products.

Types of commodities exported to Japan from BC, 2009 compared to 2004



Source: Statistics Canada

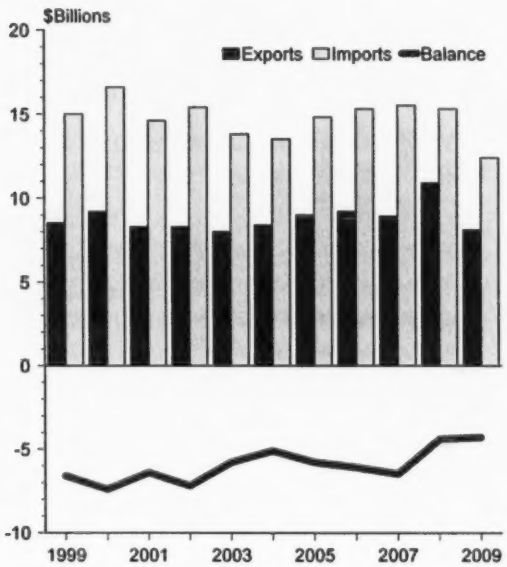
In recent years, Canada has been making efforts to expand exports of manufactured products, such as high-tech and IT-related goods, but Japan's main imports from Canada remain raw materials and agricultural products, while Japan's main exports to Canada are value-added products.[4]

[4] Ministry of Foreign Affairs, *Japan-Canada Relations*, July 2010.

Canada's trade with Japan

In terms of overall Canadian trade with Japan, 2009 was not all doom and gloom. Historically, Canada has held a substantial trade deficit with Japan. While exports from Canada to Japan have been unstable over the last ten years, imports from Japan to Canada have also been fluctuating. The ebb and flow of trade between the two countries appears to have had a somewhat positive effect on the trade balance, such that Canada's trade deficit with Japan has narrowed slightly over the past decade. It peaked at $7.4 billion in 2000, but has improved considerably since, and rested at a decade-low of $4.3 billion in 2009.

Canada has a trade deficit with Japan



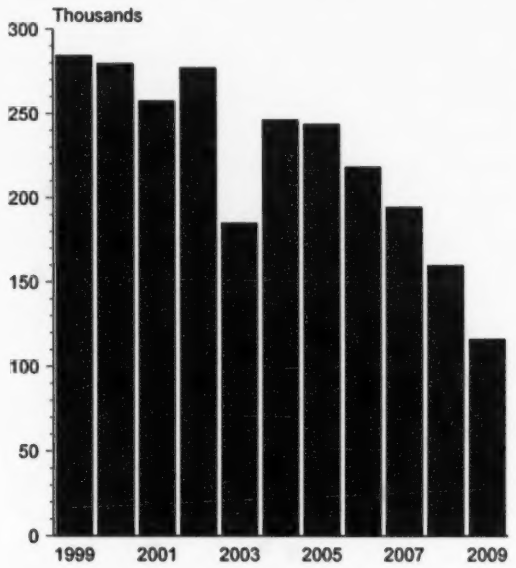
Source: Statistics Canada

Visits to BC from Japan down considerably

Much of Canada's service exports to Japan are tourism-related. The number of Japanese travellers to both BC and to Canada as a whole has dropped substantially over the past decade. In 2009, there were 63% fewer travellers entering BC from Japan than in 1999, while the number of travellers from Japan entering anywhere in Canada dropped 59% over the same time period. Between 2008 and 2009 alone, the number of Japanese travellers to BC plunged 27.3%. Although there are many other components that impact tourism from specific countries, last year was particularly difficult for the entire tourism sector, mainly due to the economic recession.

Last year marked the lowest level for Japanese tourist traffic through the province in at least 20 years. The Japanese tourist volume last year was even lower than that of 2003, when the SARS scare kept record numbers of Japanese travellers at home. Although quite stark, the drop-off in number of Japanese visitors to BC in 2009 was not necessarily an outright anomaly, since visits to BC from Japan have been trending downward for several years.

The number of tourists from Japan to BC has seen a notable drop-off in recent years



Source: Statistics Canada and BC Stats

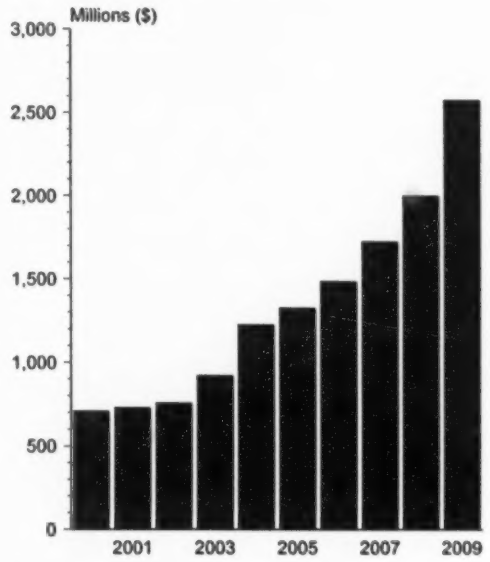
Outlook for BC's trade with Japan

Japan has long been a substantial component of BC's trade climate and has helped to give the province a more diverse export market. In times when economic downturns in the US cause trouble for the Canadian markets, strength in trade with Japan can play a role in easing these effects. However, when the tide turns and Japan slips into an economic slump, BC traders can end up in a particularly vulnerable position.

It follows that If Japan begins to bounce back from its economic slump, it would likely go a long way in helping to kick-start British Columbia's economic recovery. On the other hand, if Japan continues to struggle, although it would most definitely remain a main player in trade with BC, the province may have to further modify its trade patterns. There has already been some shifting in terms of volume, types of commodities and destinations for goods shipped from the province. Given its burgeoning economy, it is not surprising that for the past decade, China has made notable gains in overall expansion of trade with British Columbia.

In addition to a 31.2% slump in shipments to Japan, exports from BC to most parts of the world dropped off substantially last year. Shipments of goods to the United States were down 26.6%, while exports to other principle trading partners, such as the European Union (-35.7%) and South Korea (-15.2%) were also well below 2008 levels. Meanwhile, amidst this bleak outlook, exports of commodities from BC to Mainland China surged (+28.7%). In 1999, BC exports to China were valued at just $582 million and by 2009, the value of exports had soared 342.0% to reach $2.6 billion. The increase in exports to China, coupled with floundering exports to other destinations, caused China's share of total BC origin exports to jump from 6% to 10% between 2008 and 2009. This could be an indication that China may eventually surpass Japan as an export destination for BC goods.

BC exports to China have climbed substantially over the past decade



Source: Statistics Canada

Recent Feature Articles in Exports Release
Listed by Statistical Reference Date of Issue

10-07 *What Could Japan's Economic Woes Mean for Trade with BC?* *(released September 2010)*

10-06 *Fifty Years of BC Exports: 1959 - 2009* *(released August 2010)*

10-05 *Canada Okays Controversial Trade Deal with Colombia* *(released July 2010)*

10-04 *Canada Has Shown No Rush to Trade with Russia* *(released June 2010)*

10-03 *Energy Fuels BC's Trade with Washington State* *(released May 2010)*

10-02 *Economic Downturn Kept the Lid on Container Traffic in 2009* *(released April 2010)*

10-01 *Stormy Weather: BC Exports in 2009's Economy* *(released March 2010)*

09-12 *Provincial Export Comparison* *(released February 2010)*

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09-10 *High Dollar Spurs Capital Investment* *(released December 2009)*

09-09 *BC's Pulp and Paper Exporters Facing Challenges* *(released November 2009)*

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09-07 *Energy Exports are Powering Down...For Now* *(released September 2009)*

09-06 *Adding Some Heat to Trade with India* *(released August 2009)*

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09-04 *The State of Canada's Trade with the USA* *(released June 2009)*

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08-10 *Import Content of BC's Exports* *(released December 2008)*

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08-07 *Charting BC's Exports* *(released September 2008)*

08-06 *Bad News for Newsprint Exports* *(released August 2008)*

08-05 *Asia Offers Potential as a Destination for BC Exports* *(released July 2008)*

08-04 *The Price is Right for Coal Producers in BC* *(released June 2008)*

NOTES

Countries Included Within World Regions:

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

(6) Central America and Caribbean: from Guatemala and Belize to Panama, plus Caribbean Islands.

(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

(8) Pacific Rim: as above, but excluding Japan.

(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc) as well as with the release of the January and February data.

Service Offered for Detailed Trade Statistics

For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

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This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.